

Pandora posts in-line 1Q loss, upbeat sales

RYAN NAKASHIMA - AP Business Writer - Associated Press

Internet radio company Pandora Media Inc. reported higher-than-expected revenue in the latest quarter, with losses in line with analysts' forecasts, as the number of subscribers who pay for ad-free listening more than doubled to exceed 2.5 million.

Pandora predicted that it may break even in the current quarter after adjusting for one-time costs, and it predicted annual earnings and revenue that exceeded Wall Street forecasts. Its stock jumped in after-hours trading.

The upbeat results reported Thursday are a positive sign for the Internet startup as competition in digital music gets tougher. Google Inc. launched a paid subscription plan called All Access last week, and Apple Inc. is expected to unveil a free radio streaming plan later this year.

Still, Pandora is the leading Internet radio provider. CEO Joe Kennedy said the competition is not a concern.

"I don't think it pays to focus on this competitor or that competitor," Kennedy said in an interview. "What we can control is our continued development of what we believe is the best personalized radio service in the world."

The net loss in the three months ending April 30 grew to \$28.6 million, or 16 cents per share, from a loss of \$20.2 million, or 12 cents per share, a year ago.

Excluding items such as stock-based compensation costs, the loss came to 10 cents per share, matching the forecast of analysts polled by FactSet.

Revenue rose 55 percent to \$126 million, above the \$124 million that analysts were looking for.

Pandora shares jumped 8.5 percent to \$18.61 after the results came out, their highest price since July 2011, a month after it debuted on public stock markets at \$16.

Total listener hours grew 35 percent to 4.18 billion in the quarter, and revenue from mobile devices nearly doubled to \$83.9 million, outstripping the growth in mobile listening hours, which rose 47 percent.

Revenue per thousand listener hours on mobile devices grew to \$25.31 in the quarter, up from \$18.86 a year ago. Total revenue per thousand listener hours including computers hit \$30.01, up from \$26.09 a year ago.

Analysts focus on the figure, known as RPM, because song royalty costs — Pandora's biggest expense — are around \$20. Investors look for the company to

Pandora posts in-line 1Q loss, upbeat sales

Published on Electronic Component News (<http://www.ecnmag.com>)

raise revenue above the royalty cost figure as a means of turning to profitability.

Kennedy said the company's decision in February to cap free listening on mobile devices to 40 hours per month helped in two ways: It restrained growing royalty costs caused by its heaviest listeners, and it converted more of them into paying customers. The ad-free Pandora One subscription plan costs \$4 a month or \$36 a year.

"The mobile listening limit worked as intended, helping us control costs," he said. "We are also pleased with the advertising side as well."

Kennedy, who has led the company as chairman and CEO since July 2004, said in March that he would step down once a successor is found. He said Thursday that there was no timeline for the transition, and didn't expect to give an update until a successor was announced.

The company, which is based in Oakland, Calif., said it expected revenue of \$155 million to \$160 million in the second quarter, which ends in July. That's above the \$150 million expected. It also forecast second-quarter adjusted earnings ranging from a loss of 2 cents per share to a gain of a penny per share. Analysts were looking for a penny gain.

On an annual basis, Pandora expects revenue of \$615 million to \$635 million, with the midpoint above the \$618 million predicted by analysts. It forecast annual earnings ranging from a loss of 2 cents to a gain of 8 cents per share, with the midpoint also above the 2 cents per share profit that analysts had been forecasting.

Source URL (retrieved on 12/22/2014 - 7:27am):

<http://www.ecnmag.com/news/2013/05/pandora-posts-line-1q-loss-upbeat-sales>